OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, DC 20301

May 8, 1999

MEMORANDUM FOR ASSISTANT SECRETARY Of THE ARMY (RESEARCH,
                   DEVELOPMENT AND ACQUISITION)
               ASSISTANT SECRETARY Of THE ARMY (FINANCIAL
                   MANAGEMENT AND COMPTROLLER)
               ASSISTANT SECRETARY Of THE NAVY (RESEARCH,
                   DEVELOPMENT AND ACQUISITION)
               ASSISTANT SECRETARY Of THE NAVY (FINANCIAL
                   MANAGEMENT AND COMPTROLLER)
               ASSISTANT SECRETARY Of THE AIR FORCE (ACQUISITION)
               ASSISTANT SECRETARY Of THE AIR FORCE (FINANCIAL
                   MANAGEMENT AND COMPTROLLER)
               DIRECTORS Of THE DEFENSE AGENCIES

SUBJECT: Reducing Contract fund Citations

        The acquisition and financial management communities have
worked together in recent years to improve the integrity of the
financial management process. A major goal of that effort has
been to reduce unmatched disbursements and improve the timeliness
and accuracy of contract payments. Additional progress is
possible if we can hold the number of contract fund citations to
a minimum. Reducing the number of fund citations will result in
simpler contracts, fewer opportunities for unmatched
disbursements, and less payment prevalidation effort.

        In order to hold the number of contract fund citations to a
minimum, the establishment of separate contract fund citations
within the same congressional funding line shall be limited to
situations where it is needed to comply with one of the following.
requirements:

  • Congressionally mandated reporting requirements contained in
    regulation or congressional committee reports.

  • Information specifically required in the "DoD financial
    Management Regulation."

  • Information specifically required in Program Objective
    Memoranda or budget guidance signed by the Under Secretary
    of Defense (Comptroller) (USD(C)), the Principal Deputy
    Under Secretary of Defense (Comptroller), or the Director,
    Program Analysis and Evaluation.

DEPARTMENT OF THE NAW
NAVAL **AIR SYSTEMS** COMMAND
NAVAL **AIR SYSTEMS** COMMAND **HEADQUARTERS**
1421 JEFFERSON DAVIS HWY
ARLINGTON VA 22242

IN REPLY REFER TO

3100
Ser AIR-2.2/CLI
19 **Aug** 96

JOINT LETTER

From: Commander, **Naval** Air Systems Command
   Program Executive **Officer** for Tactical **Aircraft** Programs
   Program Executive Officer for Air ASW, Assault and Special
    Mission Programs
   Program Executive Officer for Cruise Missiles and Joint
    Unmanned Aerial Vehicles

Subj: **REDUCTION** OF LINES OF ACCOUNTING AND CONTRACT LINE
   ITEMS IN **TEAM** CONTRACTS

Ref: (a) **DFARS** 204.7107
   (b) DFARS 204.7103 and 204.7104

1. We are committed to changing business practices that **contribute** to problem
disbursements on TEAM contracts. Many initiatives are under way by the TEAM,
Defense Finance and Accounting Services **(DFAS)** and Defense Contract Management
Command to resolve this difficult issue. As the paying agent for TEAM contracts,
DFAS believes that the complexity of our contracts contributes to problem
disbursements. To remove contract complexity as a possible contributor to problem
disbursements, effective immediately, **all** TEAM program managers, contracting
officers and business and **financial managers shall minimize the lines** of accounting,
Accounting Classification Reference Numbers **(ACRNs),** and Contract Line Item
Numbers **(CLINs)** on TEAM contracts. This policy applies to new contracts,
modifications to contracts for **new** procurement, and direct cite funding **documents**
that will result in **contracts.**

2. Reference (a) **requires** a unique ACRN for'every unique line of accounting on a
contract. A contract **shall not** cite more than one line of accounting when the fiscal.
year, appropriation, subhead and project **unit** are the same. Each **Requiring Financial**
Manager **(RFM) shall** *manage* **all** other **financial** information for internal budget
execution purposes. Effective 01 October **1996,** approved **deviations will be required**
prior to issuance of financial accounting data sheets for **procurements that deviate
from this policy. The cognizant Assistant Program Executive Officer (Contracts) must**
approve each deviation to this policy. Exceptions to this policy include external
customer funds such as Shipbuilding **&** Conversion Navy **(SCN),** Foreign Military
Sales **(FMS),** Defense Business Operating Funds **(DBOF),** and other non-NAVAIR
funds. Consulting Services (also known as Contracted Advisory and **Assistance**
Services **(CAAS)** as defined in FAR 372) are **also** exempt from this policy due to
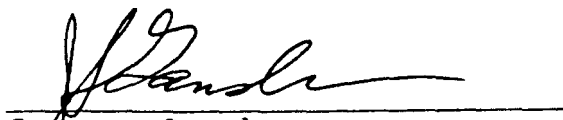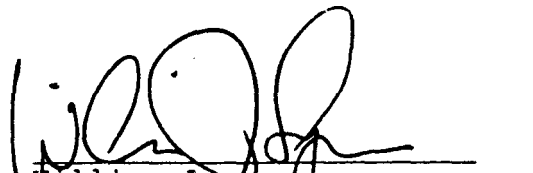statutory tracking requirements. Nevertheless, the TEAM shall make every effort

- Information identified in writing by the **USD(C) as** necessary to prepare the Department's annual audited financial statements.

- Information required **by the Office of** Management **and Budget,** Department of Treasury, or other Federal Agency when the requirement is contained in a signed policy directive issued by the applicable **agency.**

Exceptions for additional separate contract fund citations within the same congressional funding line **may be** made with the prior written approval of the applicable Assistant Secretary of a Military Department **(Financial** Management and Comptroller) and Service Acquisition Executive. Written approvals for **Defense** Agencies **may** be granted by the Director of a Defense Agency and the **Director,** Cefense Procurement, Office of the Under Secretary of Defense (Acquisition and Technology). This authority **shall** not be further delegated.

Additionally, we request that the acquisition and financial management communities within each Military Department and Agency work together to examine their financial data needs to determine whether the information being collected is essential, and if so, whether it already is **available** or otherwise attainable without the need for a separate subdivision of funds within a contract. We note with satisfaction steps taken along these lines by the Commander, Naval Air Systems Command (NAVAIR) and NAVAIR Program Executive Officers in their memorandum of August 19, 1996, which we are providing for your information, and by the Deputy Commander/Comptroller of the Naval Sea **Systems Command.**

These requirements are effective for contracts entered into on or after October 1, 1998. The point'of contact in the Financial Management/Comptroller community is Mr. Nelson **Toye,** Deputy Chief Financial Officer, (703) **697-0503,** and in the Acquisition community is Mrs. Eleanor Spector, Director of Defense Procurement,' (703) 695-7145.

Jacques Gansler
Under Secretary of Defense
(Acquisition & Technology)

William Lyn
Under **Secretary** of Defense
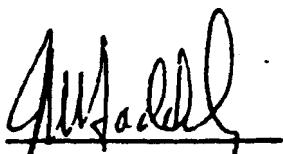(Comptroller)

Attachment

to reduce the use of unique lines of accounting. **FMS** case managers shall make every effort to develop and implement Letters of Offer and Acceptance in order to reduce lines of accounting.

3. Also, the TEAM must minimize the use of **CLINs** and **Subline** Item Numbers **(SLINs)** with individual prices. Generally, priced **CLINs/SLINs shall** equal the number of **ACRNs,** unless the requirements of reference **(b)** and sound business practices dictate otherwise. Each **procurem**ent planning conference shall discuss and include in the planning agreement the **CLIN/SLIN** and ACRN structure.

4. Another initiative to reduce lmes **of** accounting and priced **CLINs/SLINs** on TEAM contracts is to limit the use of internal project directives **(PDs)** which pass funding authority from **RFMs** to participating managers **(PARMs).** Further analysis will be conducted on the exceptions to the above policy with the potential result of **further** restricting or completely eliminating internal **PDs.**

5. This policy is effective through 30 September 1999.

6. Implementation guidance for this policy, to include training, will be provided in the near future. The point of contact for accounting issues resulting from this policy is AIR-7.6.2, Mr. Gilbert **Beckner** at **(703)604-2288,** extension 4332. The point of contact for contracting issues **resulting** from this policy is AIR-2.1.1, Ms. Kathy Young at **(703)604-** 2005, extension 6126.

J.W. HADDOCK
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COMMANDER

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(See page 3)